



*Andrew H. Junkin
CFA, CIMA, CAIA
Vice President*

March 23, 2006

Ms. Anne Stausboll
Interim Chief Investment Officer
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Internal Passive Management of Global Public Real Estate Equity Securities

Dear Anne,

You requested Wilshire's opinion with respect to Staff's revision of the Global Public Real Estate Equity Securities (Global PREES) policy in order to allow Staff to internally manage a passive portfolio to manage the System's exposure to the asset class. Wilshire supports Staff's changes to the policy document.

Discussion

In February, the Investment Committee approved the use of internal passive management for the Global PREES segment of the Real Estate asset class. The changes to the Global PREES policy reflect that approval. It should be noted that Staff was granted the authority to underweight Australia versus the benchmark weight and that if Staff chose to exercise that authority, the portfolio would not be a pure passive portfolio when compared to the EPRA/NAREIT Global ex-US Index. The underweight to Australia would be invested pro-rata in the other index countries, thereby causing a slight overweight to each of those countries. However, in all other aspects, the portfolio will be passive. Staff will not make sector or security selection decisions within any country, nor will non-benchmark countries be included.

In conclusion, we believe that Staff has made the appropriate changes to the Global PREES policy to reflect the Investment Committee's approval of the internally managed passive exposure to the Global PREES segment of the Real Estate asset class.

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Should you have any questions or require anything further, please do not hesitate to contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read "Ann J. Stausboll". The signature is written in a cursive style with a large, looped initial "A" and a stylized "J".